

Service Date: February 23, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Montana	)	UTILITY DIVISION
Public Service Commission's	)	
Investigation of Federal Tax	)	DOCKET NO. 86.11.62 (10)
Reform Impacts on Public	)	
Utility Revenue Requirements.	)	ORDER NO. 5269b

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ORDER ACCEPTING STIPULATION

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FINDINGS OF FACT

On November 24, 1986, the Montana Public Service Commission (MPSC or Commission) initiated this Docket with an Order to Show Cause, Order No. 5236, that existing rates for public utilities remain just and reasonable following the Tax Reform Act of 1986 (TRA). All respondents were ordered to provide the information required by the Commission's minimum filing requirements on or before February 1, 1987.

Accordingly, on February 2, 1987, Montana Power Company (MPC or Company) filed with the Commission its response and motion to dismiss in compliance with Order No. 5236. In that filing, MPC stated that the effects of the TRA did not result in a need for a decrease in the Company's natural gas rates and provided information to verify that position, based on the historical test period 1985. This filing utilized a 40 percent Federal tax rate, an updated capital structure, and a 12 percent return on equity rate to calculate a revenue deficiency of \$1,723,915, using a flow-through tax methodology. The Company included the south half of its new 16" pipeline at the original cost value for ratemaking purposes agreed to by the Montana Consumer Counsel (MCC) and approved by the Commission.

In an agreement dated February 25, 1987, the Company and MCC also agreed to a cost of capital for the natural gas utility to be used in this proceeding at the level included in the Company's February 2, 1987 filing. The Commission subsequently approved the agreed cost of capital.

On March 4, 1987, the Commission issued Order No. 5236a, which was a preliminary procedural order based on the Commission's finding that preliminary comment on generic legal and policy aspects of the TRA would promote a uniform regulatory approach,

while avoiding unnecessary duplication of effort. Specifically, the Commission requested comment on several issues raised by the TRA.

Based on the Commission's analysis of the utilities' and Montana Consumer Counsel's response to Order No. 5236a, on June 8, 1987, the Commission issued Order No. 5236c, which addressed each issue of the TRA focused on in Order No. 5236a. In Order No. 5236c, the Commission stated that the direction given in that order may be applied to utilities' results of operations filed in Docket No. 86.11.62 (Sub 10 for MPC gas) and that such application may result in tariff changes being ordered on an interim and/or final basis.

In Interim Order No. 5269a, the Commission, after analyzing the information presented by the Company and in accordance with its findings in its Order No. 5236c, determined that the Company's annual natural gas revenues should be reduced by \$1,894,577 on an interim basis. In that order, the Commission determined that MPC's unit average gas cost should be set at \$1.421/Mcf.

Since that Interim Order, MPC and the Montana Consumer Counsel (MCC) have negotiated a Stipulation in which they agree that a final order in this case should be issued which keeps MPC's annual natural gas revenues at the level set in Interim Order No. 5269a. The Stipulation is attached hereto.

The Commission and its staff have reviewed all of the data filed in this case.

The Commission finds that the settlement provides an acceptable means for concluding the inquiry with respect to MPC's

natural gas utility which was begun with the original Order to Show Cause.

CONCLUSIONS OF LAW

1. MPC furnishes natural gas service to consumers in Montana and is a "public utility" subject to the regulating juris diction of the Montana Public Service Commission. < 69-3-101, MCA.

2. The Stipulation approved herein is an appropriate means of concluding this matter.

3. MPC's annual natural gas revenues are appropriate at their current levels as ordered in Interim Order No. 5269a (and as modified in MPC's 1987 deferred accounting-tracking filing, Docket No. 87.10.58, Interim Order No. 5301) as are the other agreements of the parties contained in the attached Stipulation.

4. The Commission has afforded adequate notice to all interested parties.

ORDER

1. The Stipulation between MPC and MCC for the conclusion of this matter is hereby approved.

2. The rates implementing Interim Order No. 5269a are hereby approved on a permanent basis.

Done and Dated this 19th day of February, 1988 by a vote of  
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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Ann Purcell  
Acting Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.